
EXHIBIT H

STFI (Shared Tech /
CPE)

Revenue	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	2004
Maintenance													
49011 - Maintenance	\$3,100,000	\$3,100,000	\$3,150,000	\$3,250,000	\$3,300,000	\$3,350,000	\$3,400,000	\$3,450,000	\$3,500,000	\$3,550,000	\$3,600,000	\$3,650,000	\$40,400,000
49016 - On-site Maintenance	\$840,000	\$840,000	\$840,000	\$840,000	\$840,000	\$840,000	\$840,000	\$840,000	\$840,000	\$840,000	\$840,000	\$840,000	\$10,520,000
49019 - Partnership Maintenance	\$285,000	\$285,000	\$285,000	\$285,000	\$285,000	\$285,000	\$285,000	\$285,000	\$285,000	\$285,000	\$285,000	\$285,000	\$3,420,000
49020 - Ext Warranty & Maintenance	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$180,000
Total Maintenance	\$4,240,000	\$4,240,000	\$4,298,000	\$4,406,000	\$4,464,000	\$4,522,000	\$4,580,000	\$4,638,000	\$4,696,000	\$4,754,000	\$4,812,000	\$4,870,000	\$54,520,000
Install / Service													
49010 - New System Install-Equip	1,555,000	1,555,000	1,555,000	1,900,000	2,500,000	2,800,000	3,000,000	3,200,000	3,500,000	3,600,000	3,300,000	3,200,000	31,965,000
49012 - Phone Adds Moves & Changes	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	14,400,000
49013 - Warranty - Equipment	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	1,440,000
49014 - Time & Material - Other	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	3,000,000
49015 - System Upgrades - Equipment	1,750,000	1,850,000	1,800,000	1,900,000	1,950,000	2,100,000	2,200,000	2,300,000	2,300,000	2,300,000	1,950,000	1,950,000	24,050,000
49018 - SEB Monitoring - Other	200	200	200	200	200	200	200	200	200	200	200	200	2,400
Total Install / Service	4,875,200	5,075,200	5,175,200	5,370,200	6,020,200	6,320,200	6,670,200	6,970,200	7,370,200	7,470,200	6,820,200	6,720,200	74,857,400
Credits													
Total Revenue	\$9,115,200	\$9,315,200	\$9,473,200	\$9,776,200	\$10,484,200	\$11,250,200	\$11,608,200	\$12,066,200	\$12,224,200	\$11,632,200	\$11,590,200	\$12,937,400	
Network Costs (COGS)													
50111 - Maintenance	\$1,209,000	\$1,209,000	\$1,228,500	\$1,267,500	\$1,287,000	\$1,306,500	\$1,326,000	\$1,345,500	\$1,365,000	\$1,384,500	\$1,404,000	\$1,423,500	\$15,756,000
50116 - On-site Maintenance	579,600	579,600	585,160	590,640	596,160	601,680	607,200	612,720	618,240	623,760	629,280	634,800	\$7,258,800
50119 - Partnership Maintenance	142,500	142,500	142,500	142,500	142,500	142,500	142,500	142,500	142,500	142,500	142,500	142,500	\$1,710,000
50120 - Ext Warranty & Maintenance	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	22,500	\$270,000
Total Maintenance	\$1,953,600	\$1,953,600	\$1,978,620	\$2,023,140	\$2,048,160	\$2,073,180	\$2,098,200	\$2,123,220	\$2,148,240	\$2,173,260	\$2,198,280	\$2,223,300	\$24,994,800
Install / Service													
50110 - New System Install	\$1,166,250	\$1,241,250	\$1,316,250	\$1,425,000	\$1,875,000	\$2,100,000	\$2,250,000	\$2,400,000	\$2,625,000	\$2,700,000	\$2,475,000	\$2,400,000	\$23,973,750
50112 - Phone Adds Moves & Changes	696,000	696,000	696,000	696,000	696,000	696,000	696,000	696,000	696,000	696,000	696,000	696,000	\$8,352,000
50113 - Warranty	108,000	108,000	108,000	108,000	108,000	108,000	108,000	108,000	108,000	108,000	108,000	108,000	\$1,296,000
50114 - Time & Material	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	\$1,800,000
50115 - System Upgrades	1,260,000	1,332,000	1,332,000	1,368,000	1,404,000	1,450,000	1,512,000	1,584,000	1,656,000	1,656,000	1,404,000	1,404,000	\$17,316,000
50118 - SEB Monitoring	2,115	1,756	1,239	1,301	1,362	1,443	1,507	1,532	1,449	1,405	1,428	1,447	\$17,985
Total Install / Service	\$3,382,365	\$3,529,006	\$3,603,489	\$3,748,304	\$4,234,362	\$4,459,443	\$4,717,507	\$4,939,532	\$5,236,449	\$5,311,405	\$4,834,428	\$4,759,447	\$52,755,735
Network Costs (COGS)	\$5,335,965	\$5,482,606	\$5,582,109	\$5,771,441	\$6,282,522	\$6,532,623	\$6,815,707	\$7,062,752	\$7,384,689	\$7,484,665	\$7,032,708	\$6,982,747	\$77,750,535

**STFI (Shared Tech /
CPE)**

	FCST Jan-04	FCST Feb-04	FCST Mar-04	FCST Apr-04	FCST May-04	FCST Jun-04	FCST Jul-04	FCST Aug-04	FCST Sep-04	FCST Oct-04	FCST Nov-04	FCST Dec-04	2004
Gross Margin													
Maintenance													
Maintenance	\$1,891,000	\$1,891,000	\$1,921,500	\$1,982,500	\$2,013,000	\$2,043,500	\$2,074,000	\$2,104,500	\$2,135,000	\$2,165,500	\$2,196,000	\$2,226,500	\$24,644,000
On-site Maintenance	\$260,400	\$260,400	\$262,880	\$265,360	\$267,840	\$270,320	\$272,800	\$275,280	\$277,760	\$280,240	\$282,720	\$285,200	\$3,261,200
Partnership Maintenance	\$142,500	\$142,500	\$142,500	\$142,500	\$142,500	\$142,500	\$142,500	\$142,500	\$142,500	\$142,500	\$142,500	\$142,500	\$1,710,000
Ext Warranty & Maintenance	(\$7,500)	(\$7,500)	(\$7,500)	(\$7,500)	(\$7,500)	(\$7,500)	(\$7,500)	(\$7,500)	(\$7,500)	(\$7,500)	(\$7,500)	(\$7,500)	(\$90,000)
Total Maintenance	\$2,286,400	\$2,286,400	\$2,319,380	\$2,382,860	\$2,415,840	\$2,448,820	\$2,481,800	\$2,514,780	\$2,547,760	\$2,580,740	\$2,613,720	\$2,646,700	\$29,525,200
Install / Service													
New System Installs	388,750	413,750	438,750	475,000	625,000	700,000	750,000	800,000	875,000	900,000	825,000	800,000	7,991,250
Phone Adds, Moves & Changes	504,000	504,000	504,000	504,000	504,000	504,000	504,000	504,000	504,000	504,000	504,000	504,000	6,048,000
Warranty	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	144,000
Time & Material	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	1,200,000
System Upgrades	490,000	518,000	518,000	532,000	546,000	546,000	588,000	616,000	644,000	644,000	546,000	546,000	6,734,000
SEB Monitoring	(1,915)	(1,556)	(1,039)	(1,101)	(1,162)	(1,243)	(1,307)	(1,332)	(1,249)	(1,205)	(1,228)	(1,247)	(15,585)
Total Install / Service	1,492,835	1,546,194	1,571,711	1,621,899	1,785,838	1,860,757	1,952,693	2,030,668	2,133,751	2,158,795	1,985,772	1,960,753	22,101,665
Total Gross Margin	\$3,779,235	\$3,832,594	\$3,891,091	\$4,004,759	\$4,201,678	\$4,309,577	\$4,434,493	\$4,545,448	\$4,681,511	\$4,739,535	\$4,599,492	\$4,607,453	\$51,626,865
Gross Margin %													
Maintenance %													
Maintenance	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
On-site Maintenance	30.4%	30.4%	30.4%	30.4%	30.4%	30.4%	30.4%	30.4%	30.4%	30.4%	30.4%	30.4%	30.4%
Partnership Maintenance	51.2%	51.2%	51.2%	51.2%	51.2%	51.2%	51.2%	51.2%	51.2%	51.2%	51.2%	51.2%	51.2%
Ext Warranty & Maintenance	-49.8%	-49.8%	-49.8%	-49.8%	-49.8%	-49.8%	-49.8%	-49.8%	-49.8%	-49.8%	-49.8%	-49.8%	-49.8%
Total Maintenance	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%
Install / Service %													
New System Installs	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Phone Adds, Moves & Changes	42.0%	42.0%	42.0%	42.0%	42.0%	42.0%	42.0%	42.0%	42.0%	42.0%	42.0%	42.0%	42.0%
Warranty	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Time & Material	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
System Upgrades	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%
On-site - AMC	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
SEB Monitoring	-957.6%	-777.8%	-519.7%	-550.5%	-581.2%	-621.4%	-653.7%	-666.0%	-624.3%	-602.4%	-614.2%	-623.3%	-649.4%
Total Install / Service %	30.6%	30.5%	30.4%	30.2%	29.7%	29.4%	29.3%	29.1%	29.0%	28.9%	29.1%	29.2%	29.5%
Total Gross Margin %	41.5%	41.1%	41.1%	41.0%	40.1%	39.7%	39.4%	39.2%	38.8%	38.8%	39.5%	39.8%	39.9%

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Salaries, Wages & Benefits													
60001 - Salaries	\$1 760 952	\$1 785 189	\$1 803 022	\$1,882,032	\$1 890,615	\$1 890,532	\$1 890 532	\$1 890 532	\$1 890 532	\$1 890 532	\$1 890 532	\$1 890 532	\$22 355 532
60010 - Overtime	37 714	37 714	37 714	37 714	37 714	37 714	37 714	37 714	37 714	37 714	37 714	37 714	\$452 566
60015 - Commission Internal	320,126	339 563	439,563	442 478	450 675	410 876	421 078	434 922	398 767	410 790	417 348	391 116	\$4 877 300
60025 - Bonus	72 663	66 061	73 093	70 749	76 565	74 221	76 565	76 565	124 221	76 565	74 221	76 565	\$938 049
60052 - Temporary Employee Services	-	-	-	-	-	-	-	-	-	-	-	-	\$0
60102 - Medical/Dental Coverage	214,472	217 623	219 941	230 212	231 328	231 317	231 317	231 317	231 317	231 317	231 317	231 317	\$2 732 798
60103 - Life, AD&D, LTD Benefit Exp	6,719	6 719	6 719	6 719	6 719	6 719	6 719	6 719	6 719	6 719	6 719	6 719	\$80 632
60104 - Vision Coverage	4 271	4 271	4 271	4,271	4,271	4,271	4 271	4 271	4 271	4 271	4 271	4,271	\$51 253
60115 - Worker's Compensation	-	-	-	35 222	35,393	35,392	35,392	35 392	35 392	35 392	35 392	35 392	\$318 358
60125 - Payroll Taxes	252 102	212 252	201,881	193,876	183,347	182 320	181,299	191 406	195 664	197 659	155,393	218 754	\$2 365 952
60200 - Training	-	-	-	-	-	-	-	-	-	-	-	-	\$0
60203 - Employee Training/Education	4,167	4 167	4 167	4,167	4 167	4 167	4 167	4,167	4 167	4 167	4 167	4 167	\$50,000
60235 - Car Allowance	17,825	18,500	18,500	18 500	18 650	18 650	18 650	18 650	18,650	18 650	18,650	18 650	\$222 525
60255 - Employee Recognition-Meals	-	-	-	-	-	-	-	-	-	-	-	-	\$0
Total Salaries, Wages & Benefits	\$2,691,011	\$2,692,059	\$2,808,871	\$2,925 939	\$2 939 445	\$2 896 179	\$2,907 702	\$2 931 654	\$2,947,413	\$2 913 774	\$2 875 722	\$2 915 195	\$34,444 965
Travel													
60311 - Travel Expense-Airfare	45 414	46 997	48 581	50,164	51,747	53,331	54 914	56 497	58 081	59 664	61 247	62,831	649 468
60312 - Travel Expense-Car Rent/Mileage	22,213	22,755	23,296	23,838	23 838	23 838	23 838	23 838	23,838	23,838	23,838	23 838	302 304
60313 - Travel Expense-Entertainment	15 450	15 991	16,533	17,075	17,616	18,158	18 700	19 241	19 783	20,325	20 866	21,408	221 146
60314 - Travel Expense-Lodging	2,250	2,250	2,250	2 250	2 250	2 250	2 250	2,250	2 250	2 250	2,250	2 250	27 000
60315 - Travel Expense-Meals	-	-	-	-	-	-	-	-	-	-	-	-	-
60316 - Travel Expense-Telephone	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Travel	85,327	87,993	90 660	93 327	95 452	97 577	99,702	101 827	103 952	106 077	108 202	110 327	1 199,918
Network Administration													
50511 - Tools & Small Parts	7,211	7 211	7 211	7 211	7 211	7 211	7,211	7 211	7 211	7 211	7 211	7 211	86 535
50521 - Vehicles	53,000	53 000	6 500	6 500	6,500	6,500	6,500	6,500	6 500	6 500	6 500	6 500	171,000
50522 - Vehicle Maint & Gas	65,000	65 000	65 000	65 000	65,000	65,000	65,000	65,000	65 000	65 000	65 000	65 000	780 000
50605 - Repair of Vehicles	59 011	59 011	20 000	20,000	20,000	20 000	20,000	20 000	20 000	20 000	20 000	20 000	318 022
50900 - Other Network Cost	9 232	9,232	9,232	9,232	9,232	9 232	9 232	9 232	9 232	9 232	9 232	9 232	110 786
Total Network Administration	193,454	193,454	107 943	107 943	107 943	107 943	107 943	107 943	107 943	107,943	107 943	107 943	1 466 343
Marketing & Advertising													
61004 - Advertising-Other	2 371	2,371	2,371	2,371	2 371	2,371	2 371	2 371	2 371	2 371	2 371	2 371	28 457
Total Marketing & Advertising	2,369	2 369	2 369	2 369	2,369	2 369	2,369	2 369	2 369	2 369	2,369	2 369	28 457

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	FCST Jan-04	FCST Feb-04	FCST Mar-04	FCST Apr-04	FCST May-04	FCST Jun-04	FCST Jul-04	FCST Aug-04	FCST Sep-04	FCST Oct-04	FCST Nov-04	FCST Dec-04	2004
Rents & Utilities													
63001 - Offices Rent	150,000	150,000	150,000	205,000	205,000	205,000	205,000	205,000	205,000	205,000	205,000	205,000	2,295,000
63020 - PC & Office Equip Rental	21,615	21,615	21,615	21,615	21,615	21,615	21,615	21,615	21,615	21,615	21,615	21,615	259,381
63050 - Other Lease Rent	5,973	5,973	5,973	5,973	5,973	5,973	5,973	5,973	5,973	5,973	5,973	5,973	71,681
63100 - Other Lease Operating Expenses	4,081	4,081	4,081	4,081	4,081	4,081	4,081	4,081	4,081	4,081	4,081	4,081	48,976
63203 - General Maint & Repairs	29,685	29,685	29,685	29,685	29,685	29,685	29,685	29,685	29,685	29,685	29,685	29,685	356,214
64200 - Office Utility Expenses	19,105	19,105	19,105	39,341	39,341	39,341	39,341	39,341	39,341	39,341	39,341	39,341	411,389
64201 - Telephone Expense	47,850	47,850	47,850	87,850	87,850	87,850	87,850	87,850	87,850	87,850	87,850	87,850	934,203
64220 - Cellular Expenses	22,081	22,081	22,081	22,081	22,081	22,081	22,081	22,081	22,081	22,081	22,081	22,081	264,970
64221 - Paging Expense	8,964	8,964	8,964	8,964	8,964	8,964	8,964	8,964	8,964	8,964	8,964	8,964	107,572
64222 - Email & Internet Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Rents & Utilities	309,355	309,355	309,355	424,591	424,591	424,591	424,591	424,591	424,591	424,591	424,591	424,591	4,749,385
Professional & Other Fees													
64400 - Professional and Other Fees	-	-	-	-	-	-	-	-	-	-	-	-	-
64401 - Computer Supp/Serv Contracts	1,635	1,635	1,635	9,835	9,835	9,835	9,835	9,835	9,835	9,835	9,835	9,835	93,417
64402 - Computer Hardware Expense	881	881	881	881	881	881	881	881	881	881	881	881	10,577
64404 - Computer Software Expenses	778	778	778	778	778	778	778	778	778	778	778	778	9,333
64603 - Insurance - Liability	-	-	-	28,999	28,999	28,999	28,999	28,999	28,999	28,999	28,999	28,999	260,991
64604 - Insurance - Other	-	-	-	36,090	36,090	36,090	36,090	36,090	36,090	36,090	36,090	36,090	324,810
64605 - Insurance - Property	-	-	-	12,179	12,179	12,179	12,179	12,179	12,179	12,179	12,179	12,179	109,611
64701 - General Licenses and Fees	8,688	8,688	8,688	8,688	8,688	8,688	8,688	8,688	8,688	8,688	8,688	8,688	104,255
65001 - Bank Fees	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,000
65205 - Professional Audit Fees	-	-	-	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	74,997
65210 - Fees-Outside Legal Firm	-	-	-	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	37,503
65216 - Outsourcing Fees (ADP)	-	-	-	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	63,000
Total Professional & Other Fees	13,482	13,482	13,482	111,450	111,450	111,450	111,450	111,450	111,450	111,450	111,450	111,450	1,043,494
Bad Debt													
65510 - Bad Debt Non-Carrier Billing	148,810	148,810	150,087	153,680	158,151	162,621	168,688	174,756	180,025	182,898	171,403	172,680	1,972,609
Total Bad Debt	148,810	148,810	150,087	153,680	158,151	162,621	168,688	174,756	180,025	182,898	171,403	172,680	1,972,609
Other													
65302 - Gross Receipts Tax	55	55	55	55	55	55	55	55	55	55	55	55	660
65303 - Franchise Tax	1,430	1,430	1,430	1,430	1,430	1,430	1,430	1,430	1,430	1,430	1,430	1,430	17,160
65305 - Property Taxes	2,769	2,769	2,769	2,769	2,769	2,769	2,769	2,769	2,769	2,769	2,769	2,769	33,227
65306 - Other Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
65307 - Tax Discounts	-	-	-	-	-	-	-	-	-	-	-	-	-
65401 - General Office Supplies	23,629	23,629	23,629	23,629	23,629	23,629	23,629	23,629	23,629	23,629	23,629	23,629	283,543
65405 - Materials and Printing	2,232	2,232	2,232	2,232	2,232	2,232	2,232	2,232	2,232	2,232	2,232	2,232	26,784
65406 - Facility Relocation Costs	-	-	-	-	-	-	-	-	-	-	-	-	-
65410 - Computer Supplies	7,165	7,165	7,165	7,165	7,165	7,165	7,165	7,165	7,165	7,165	7,165	7,165	85,979
65415 - Postage/Carrier/FX	6,400	6,400	6,400	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	75,654
65601 - Dues & Subscriptions	478	478	478	478	478	478	478	478	478	478	478	478	5,736
65702 - Charitable Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-
65710 - Conventions & Conferences	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	16,238
80410 - Fines/Penalties	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other	45,511	45,511	45,511	49,111	49,111	49,111	49,111	49,111	49,111	49,111	49,111	49,111	544,982
SG & A	3,488,441	3,492,155	3,526,123	3,865,855	3,885,477	3,848,328	3,867,565	3,899,230	3,921,903	3,892,785	3,844,883	3,887,279	45,406,006
EBITDA	\$290,794	\$340,440	\$364,968	\$138,904	\$316,200	\$461,249	\$566,928	\$646,218	\$759,608	\$846,750	\$754,608	\$720,174	\$6,220,859

LIQUIDATION ANALYSIS

Pursuant to section 1129(a)(7) of the Bankruptcy Code¹ (often called the “Best Interest Test”), the Bankruptcy Code requires that each Holder of an Impaired Claim or Equity Interest either (i) accept the Plan, or (ii) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such non-accepting Holder would receive or retain if the Debtors were to be liquidated under chapter 7 of the Bankruptcy Code on the Effective Date. In determining whether the Best Interest Test has been met, the first step is to determine the dollar amount that would be generated from a hypothetical liquidation of the Debtors’ assets in chapter 7. The gross amount of Cash available would be the sum of the proceeds from the disposition of the Debtors’ assets and the Cash held by the Debtors at the commencement of their chapter 7 cases. Such amount then would be reduced by the costs and expenses of the liquidation. Prior to determining whether the Best Interest Test has been met for general unsecured creditors, further reductions would be required to eliminate Cash and the asset liquidation proceeds that would be applied to Secured Claims and amounts necessary to satisfy chapter 11 Administrative Expense Claims, Priority Tax Claims, and Priority Non-Tax Claims that are senior to ATCW Unsecured Claims and ATI Unsecured Claims, including any incremental Administrative Expense Claims that may result from the termination of the Debtors’ business and the liquidation of their assets. Any remaining Cash would be available for distribution to general unsecured creditors and Equity Interest Holders in accordance with the distribution hierarchy established by section 726 of the Bankruptcy Code.

The following liquidation analysis (the “Liquidation Analysis”) was prepared by management with the assistance of the Debtors’ advisors, and assumes that the Debtors would announce a conversion to chapter 7 as of April 1, 2004. The Liquidation Analysis also assumes that the liquidation of the Debtors would commence under direction of a Court-appointed chapter 7 trustee and continue for nine months, during which time all of the Company’s major assets either would be sold or conveyed to the applicable lienholders and the Cash proceeds, net of liquidation-related costs, would be distributed to creditors. Although some assets might be liquidated in less than nine months, other assets would be more difficult to collect or sell, thus requiring a liquidation period of up to nine months. The liquidation period would allow for the collection of receivables, sale of assets, and wind-down of daily operations.

For certain assets, estimates of the liquidation proceeds were made for each asset individually. For other assets, liquidation values were assessed for general classes of assets by estimating the percentage recoveries that a chapter 7 trustee might achieve through their disposition. The Liquidation Analysis was performed on a consolidated basis and assumes that the Debtors’ liquidation proceeds would be distributed in accordance with Bankruptcy Code sections 726 and 1129(b). The following Liquidation Analysis should be read in conjunction with the accompanying notes

¹ Unless otherwise defined herein, all capitalized terms have the meanings ascribed to such terms in the Debtors’ Disclosure Statement pursuant to Section 1125 of the Bankruptcy Code, dated March 18, 2004 (the “Disclosure Statement”).

IMPORTANT CONSIDERATIONS AND ASSUMPTIONS

1. *Execution risk of liquidation* A liquidation of the Debtors would be complicated and difficult in both scale and scope. The assets of the Debtors include millions of dollars worth of integrated telecommunications equipment and thousands of miles of network infrastructure. The assets are located throughout the United States of America and would be subject to the laws of virtually half the states within the United States of America. Given the complexity of such an undertaking, the Debtors believe significant execution risk exists if liquidation were actually pursued.
2. *The Liquidation Analysis depends on estimates and assumptions* The Liquidation Analysis is based on a number of estimates and assumptions that, although developed and considered reasonable by the management and the advisors of the Debtors, are inherently subject to significant economic, business, regulatory, and competitive uncertainties and contingencies beyond the control of the Debtors or its management. The Liquidation Analysis is also based on the Debtors' best judgment of how numerous decisions in the liquidation process would be resolved. A chapter 7 trustee may come to different conclusions at the time of such liquidation. ACCORDINGLY, THERE CAN BE NO ASSURANCES THAT THE VALUES REFLECTED IN THIS LIQUIDATION ANALYSIS WOULD BE REALIZED IF THE DEBTORS WERE, IN FACT, TO UNDERGO SUCH A LIQUIDATION AND ACTUAL RESULTS COULD VARY MATERIALLY AND ADVERSELY FROM THOSE CONTAINED HEREIN.
3. *Liquidation assumed to commence on April 1, 2004* This analysis assumes the conversion of the current chapter 11 cases to chapter 7 cases as of April 1, 2004. A chapter 7 trustee would be either elected by creditors or appointed by the Bankruptcy Court to administer the estate. The asset values for the liquidation of the non-Cash assets shown on the Debtors' balance sheet was the unaudited original cost of those assets as of December 31, 2003 and represent a proxy for the asset figures that would likely be available as of April 1, 2004.
4. *Wind-down costs and length of liquidation process.* The Debtors have assumed that the Federal Communications Commission and/or state regulatory commissions would require a continuation of service to the Debtors' customers for at least 90 days after liquidation was announced. As shown below, such a requirement will result in significant additional costs to the liquidation. The Debtors have also assumed that the chapter 7 trustee would need an additional six months to finalize the liquidation process, although there can be no assurances that all assets will be completely liquidated during this time period.

Allegiance Telecom, Inc.

Liquidation Analysis - Unaudited

PROCEEDS AVAILABLE FOR DISTRIBUTION UNDER CHAPTER 7 LIQUIDATION

(\$US Millions)

	<u>Notes</u>	<u>Estimated Liquidation Proceeds</u>	<u>Estimated Asset Realization</u>
Proceeds from Liquidation			
Cash	A	\$ 273.5	100.0%
Accounts Receivable, Net	B	50.1	47.3%
Prepaid Expenses and Other Current Assets	C	6.3	24.5%
Property and Equipment, Net	D	287.1	42.1%
Long-term Investments, Restricted	E	4.5	58.1%
Other Long-term Assets	F	4.3	20.9%
Preference Payments	G	1.9	
Gross Proceeds from Liquidation		\$ 627.7	55.8%
Chapter 7 Administrative Claims - Section 503(b)			
Trustee & Receiver Fees	H	\$ 10.6	
Counsel for Trustee	I	5.3	
Other Professional Fees	J	10.6	
Wind-down Costs	K	73.7	
Total Chapter 7 Administrative Claims		\$ 100.2	
NET PROCEEDS AVAILABLE FOR DISTRIBUTION		\$ 527.5	

Allegiance Telecom, Inc.

Liquidation Analysis - Unaudited

DISTRIBUTION OF NET PROCEEDS - RECOVERY

(\$US Millions)

	Notes	% Recovery	Recovery Value	Total Claim Amount
Administrative Expense Claims	L	44.4%	\$ 41.3	\$ 93.1
Professional Fee Claims	M	100.0%	5.8	5.8
Priority Tax Claims	N	44.4%	1.7	3.8
Priority Non-Tax Claims (Class 1)	O	0.0%	-	0.1
Secured Claims (Class 2)	P	0.0%	-	0.3
Senior Lender Claims (Class 3)	Q	100.0%	478.7	478.7
ATCW Unsecured Claims (Class 4)	R	0.0%	-	420.3
ATI Unsecured Claims (Class 5)	S	0.0%	-	668.7
Equity Interests (Class 6)	T	0.0%	-	-
			<u>\$ 527.5</u>	<u>\$ 1,670.8</u>

NOTES TO LIQUIDATION ANALYSIS

A. Cash. The Cash balance reflects management's projection of Cash as of April 1, 2004. Cash includes Cash and Cash equivalents and short-term investments. The Debtors' short-term investments are comprised of certificates of deposit.

B. Accounts Receivable, Net. Estimated proceeds realizable from accounts receivable under a liquidation are based on management's assessment of the collectibility of those receivables taking into consideration the historical collection experience, the type of obligor, the credit quality of the obligor and the aging of the accounts. The liquidation value of accounts receivable was estimated by applying collection rates to categories of receivables believed to have similar characteristics such as type of obligor and aging. Additional factors such as time, difficulty of collection, and certain offset rights were also considered. All pre-petition carrier access billing accounts receivable were offset against Claims by the respective obligors. The result is assumed to be an estimate of the proceeds that would be available in an orderly liquidation scenario and takes into

account the inevitable difficulty a liquidating company has in collecting receivables. Collections during a liquidation of the Debtors may be further impaired by the likely damage Claims for breaches of and/or the likely rejection of customer contracts as customers attempt to set off outstanding amounts owed to the Debtors against such Claims

- C. **Prepaid Expenses and Other Current Assets.** This asset group consists primarily of short-term Cash deposits, equipment held in inventory, prepaid rents, prepaid insurance premiums, prepaid maintenance services and other prepaid services. Management has reviewed the individual components for this account and has estimated a liquidation recovery of approximately 25% of the balance, as most of these prepaid services will expire during the wind-down period. The recoveries consist primarily of liquidation of the equipment held in inventory
- D. **Property and Equipment, Net ("P&E").** P&E, including construction-in-progress, includes network assets such as switches and transmission equipment, fiber under capital lease, data network assets, customer premise equipment, as well as furniture and fixtures, leasehold improvements, computer hardware and software, office equipment, motor vehicles, and other various assets. Management reviewed the various asset classes included and assigned estimated recovery rates based on type of asset. Additional consideration was given for the "forced sale" nature of the liquidation, the need to disconnect or otherwise prepare the asset for sale, and the physical location, and accessibility of the asset in estimating the recovery rates. The overall average recovery rate across all fixed asset classes was determined to be approximately 19% of the original cost basis
- E. **Long-term Investments, Restricted.** Long-term restricted investments include certificates of deposit held as collateral for letters of credit (LOCs) issued on behalf of the Debtors. The underlying collateral for LOCs related to real estate leases (in lieu of a Cash deposit) is assumed to be set off against any rejection Claims and ATCW Unsecured Claims of the landlords holding the LOCs. The remaining LOCs for insurance and for purchase agreements total approximately \$4.5 million and will be surrendered and the certificates of deposit will be returned to the estate.
- F. **Other Long-term Assets.** This asset group consists primarily of Cash deposits for workers' compensation, general and auto liability insurance reserves, numerous real estate deposits, utility deposits, and miscellaneous vendor deposits. Management believes that the Debtors will not receive any material recovery of the individual deposits (other than the workers' compensation deposit and general and auto liability insurance deposit) based on the chapter 7 liquidation and the fact that the other deposits would reduce Secured Claims and ATCW Unsecured Claims. Other long-term assets include expenses that were incurred and capitalized in relation to the ATI Notes and Credit Agreement, which are unrecoverable.
- G. **Preference Payments.** This asset consists of recoveries on preference actions against vendors and other entities that received payments during the 90 days prior to the

Petition Date. For purposes of this analysis, management estimates a recovery of approximately \$1 9 million related to this asset class.

- H. **Trustee & Receiver Fees.** Compensation for the chapter 7 trustee will be limited to fee guidelines in section 326 of the Bankruptcy Code. For purposes of this analysis management has assumed trustee fees to be 3.0% of the proceeds recovered from non-Cash assets in the liquidation.
- I. **Counsel for Trustee.** Compensation for trustee's counsel is estimated at 50% of estimated trustee and receiver fees
- J. **Other Professional Fees.** Management estimates that Professional fees for legal, financial, and other advice during the chapter 7 proceedings to be equal to the trustee and receiver fees (approximately \$1.15 million per month)
- K. **Wind-Down Costs.** The Debtors assume the chapter 7 liquidation process will take a total of nine months to complete. The Debtors have assumed that the Federal Communications Commission and/or state regulatory commissions will require the Debtors to continue to provide service to its existing customer base for at least 90 days in order to allow customers to transition to alternative providers. Based on this assumption, management has assumed that during this first 90-day period, the Debtors will need to keep its network operating. Management has assumed a shut down for all other parts of the Debtors' network upon initiation of the liquidation.

During the wind-down period, customers are expected to disconnect service at a much faster rate than in the normal course of business. Because no new customers will be added, operating expenses (employee and real estate costs) are estimated to decrease to the lowest cost level required to support service while customers transition off the Debtors' network. After the first 90-day period, operating costs are assumed to reduce to minimal levels as the chapter 7 trustee further rejects contracts and leases and manages the wind-down of the assets. A nominal workforce would be maintained for network maintenance, billings and collections, customer service, legal and finance functions. Wind-down costs are offset by collections of new revenues, assumed to be 47% of new revenues during the wind-down period. This percentage is based on the average net recovery assumed for pre-chapter 7 receivables. Due to the difficulty in collecting new receivables during the wind-down period, management believes that the actual collection rate on new receivables during the chapter 7 process may be lower. Other wind-down costs include employee severance costs, stay bonuses for those employees who are required during the wind-down process, and network access costs.

- L. **Administrative Expense Claims.** Prior to determining what proceeds would be available for general unsecured creditors under the chapter 7 proceedings, Cash and asset liquidation proceeds would be reduced in order to satisfy chapter 11 Administrative Expense Claims, Priority Tax Claims, and Priority Non-Tax Claims that are senior to ATCW Unsecured Claims and ATI Unsecured Claims, including any incremental Administrative Expense Claims that may result from the termination of the

Debtors' business and the liquidation of their assets. These Claims represent accounts payable and accrued liabilities (associated with postpetition chapter 11 goods and services), utilities expenses and access charges and professional fees related to the chapter 11 proceedings, as well as rejection of previously assumed executory contracts.

- M. Professional Fee Claims.** This category of Claims represents all Administrative Expense Claims for the compensation of Professionals and reimbursement of expenses incurred by such Professionals through the liquidation date. Pursuant to the terms of the Debtors' cash collateral order, there is a carve out for the payment of the Professional Fee Claims. As such, the Senior Lender Claims are subordinate to the Professional Fee Claims for this purpose.
- N. Priority Tax Claims.** This group of Claims includes any Claim of a governmental unit of the kind specified in sections 502(i) and 507(a)(8) of the Bankruptcy Code.
- O. Priority Non-Tax Claims (Class 1).** These Claims primarily represent chapter 11 Claims, other than Administrative Expense Claims or Priority Tax Claims, entitled to priority in right of payment under section 507 (a) of the Bankruptcy Code.
- P. Secured Claims (Class 2).** This group of Claims includes Claims filed by Incumbent Local Exchange Carrier ("ILEC") customers and miscellaneous other vendors with set off rights. The underlying collateral for the Secured Claims is assumed to be set off against the Secured Claims, and that the holders of the Secured Claims would receive no additional distribution.
- Q. Senior Lender Claims (Class 3).** Senior Lender Claims include all Claims arising under or in connection with the Credit Agreement. Senior Lender Claims are paid in full.
- R. ATCW Unsecured Claims (Class 4).** ATCW Unsecured Claims include trade accounts payable, access payables, IRU Claims, litigation and rejection Claims, and various other Claims. The Debtors believe that the aggregate amount of ATCW Unsecured Claims in a chapter 7 case will be significantly higher than the total for such Claims in the chapter 11 cases as the number of customers, vendors, and counterparties to contracts and leases is significant, and each party could file Claims for damages. Such Claims would be *pari-passu* with the Debtors' current ATCW Unsecured Claims, would significantly increase the Claims against the Debtors, and ultimately reduce the overall recovery to the Holders of ATCW Unsecured Claims.
- S. ATI Unsecured Claims (Class 5).** ATI Unsecured Claims include Claims arising under or in connection with the ATI Notes other than the fees of the ATI Note Trustees accruing under the ATI Note Indentures.
- T. Equity Interests (Class 6).** Holders of common stock receive no recovery in the liquidation.

EXHIBIT J
(TO COME)